



**TIME ENGINEERING BERHAD
(10039-P)**

UNAUDITED INTERIM QUARTERLY REPORT

ON CONSOLIDATED RESULTS

FOR THE SECOND QUARTER ENDED 30 JUNE 2006

TIME ENGINEERING BERHAD (10039-P)
Incorporated in Malaysia

**UNAUDITED INTERIM QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2006**

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THE FIGURES HAVE NOT BEEN AUDITED

I CONDENSED CONSOLIDATED INCOME STATEMENT

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current year quarter 30.06.2006 RM'000	Preceding year corresponding quarter 30.06.2005 (As restated) RM'000	Six months to 30.06.2006 RM'000	Six months to 30.06.2005 (As restated) RM'000
1.	(a) Revenue	115,659	15,284	294,984	124,904
	(b) Cost of sales	(83,269)	(3,799)	(215,455)	(81,379)
	(c) Gross profit	32,390	11,485	79,529	43,525
	(d) Other income	647	4,291	6,144	11,928
	(e) Expenses	(27,102)	(10,393)	(54,075)	(29,469)
	(f) Finance cost	(14,772)	(15,025)	(30,346)	(34,207)
	(g) Gain on disposal of investments	4,631	-	53,831	-
	(h) Share of results of associate	(17,589)	(24,906)	(36,333)	(49,370)
	(i) Profit/(loss) before income tax	(21,795)	(34,548)	18,750	(57,593)
	(j) Income tax (Note 19)	8,479	(3,097)	2,843	(3,129)
	(k) Profit/(loss) for the period	<u>(13,316)</u>	<u>(37,645)</u>	<u>21,593</u>	<u>(60,722)</u>
Attributable to:					
	(l) Equity holders of the parent	(14,791)	(38,782)	18,612	(63,340)
	(m) Minority interests	1,475	1,137	2,981	2,618
		<u>(13,316)</u>	<u>(37,645)</u>	<u>21,593</u>	<u>(60,722)</u>
2.	Earnings/(loss) per share based on 1. (l) above (Note 26)				
	(a) Basic	(1.9) sen	(5.0) sen	2.4 sen	(8.2) sen
	(b) Diluted	NA	NA	NA	NA

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005.

Note: NA denotes "Not Applicable"

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II CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited as at 30.06.2006 RM'000	Audited as at 31.12.2005 (As restated) RM'000
ASSETS		
1. Non-current assets		
Property, plant and equipment	9,995	11,015
Investment property	581	581
Investment in associates	721,776	773,643
Other investments	30	40,299
Goodwill	971	971
Intangible assets	4,112	3,162
Deferred tax assets	731	731
Non-current bank deposits	6,085	7,561
	744,281	837,963
2. Current asset		
Inventories	671	10,728
Trade and other receivables	301,052	53,764
Tax recoverable	14,576	17,215
Cash and bank balances	51,396	80,880
	367,695	162,587
Total Assets	1,111,976	1,000,550
EQUITY AND LIABILITIES		
3. Equity attributable to equity holders of the parent:		
Share capital	775,245	775,245
Reserves	(602,812)	(621,424)
Capital and Reserves	172,433	153,821
4. Minority interests	14,505	12,405
Total equity	186,938	166,226
5. Non-current liabilities		
Long term borrowings	-	665,623
Deferred tax liabilities	593	593
	593	666,216
6. Current liabilities		
Trade and other payables	53,387	56,919
Short term borrowings (Note 23)	185,828	1,820
Bonds and long term borrowings due within one year (Note 23)	685,125	108,940
Tax payable	105	429
	924,445	168,108
Total liabilities	925,038	834,324
Total equity and liabilities	1,111,976	1,000,550
 7. Net assets per share attributable to ordinary equity holders of the parent (RM)	 0.22	 0.20

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005.

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III CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months to 30.06.2006 RM'000	Unaudited Six months to 30.06.2005 RM'000
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Cash receipts from customers	48,664	527,412
Cash payments to suppliers	(176,875)	(85,276)
Cash payments to employees and for expenses	(42,638)	(22,754)
	<hr/>	<hr/>
Cash generated from/(used in) operations	(170,849)	419,382
Taxation refunded/(paid)	5,147	(7,407)
Interest received	1,014	464
	<hr/>	<hr/>
Net cash from/(used in) operating activities	(164,688)	412,439
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(2,611)	(1,132)
Proceeds from disposal of property, plant and equipment	6	-
Proceeds from disposal of quoted investments	109,633	-
Others	-	1,200
	<hr/>	<hr/>
Net cash from investing activities	107,028	68
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Drawdown of bank borrowings	150,127	73,476
Repayment of bank borrowings/redemption of bonds	(112,673)	(494,855)
Interest paid	(9,929)	(22,118)
Dividend paid by a subsidiary to minority shareholders	(774)	-
	<hr/>	<hr/>
Net cash from/(used in) financing activities	26,751	(443,497)
Net Change in Cash and Cash Equivalents	(30,909)	(30,990)
Net Cash and Cash Equivalents as at beginning of financial period	88,390	56,466
	<hr/>	<hr/>
Net Cash and Cash Equivalents as at end of financial period	(a) 57,481	25,476
	=====	=====

(a) Net Cash and Cash Equivalents comprise the following amounts:

	Unaudited As at 30.06.2006 RM'000	Unaudited As at 30.06.2005 RM'000
Non-current bank deposits – restricted	6,085	5,003
Deposits, cash and bank balances		
- Unrestricted	51,338	20,381
- Restricted	58	92
	<hr/>	<hr/>
Net Cash and Cash Equivalents at end of the financial period	57,481	25,476
	=====	=====

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005.

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IV CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

In RM'000	← Equity attributable to equity holders of the parent →					Total	Minority interests	Total equity
	← Non-distributable →							
	<u>Share Capital</u>	<u>Loan Stock</u>	<u>Share Premium</u>	<u>Other Reserves</u>	<u>Accumulated Losses</u>			
Six months to 30 June 2006 (Unaudited)								
Balance as at 1 January 2006	775,245	-	1,717,012	18,419	(2,356,855)	153,821	12,405	166,226
Profit for the period	-	-	-	-	18,612	18,612	2,981	21,593
Total recognised income for the period	-	-	-	-	18,612	18,612	2,981	21,593
Dividend paid by subsidiary to minority interests	-	-	-	-	-	-	(774)	(774)
Capital distribution by subsidiary to minority interest	-	-	-	-	-	-	(107)	(107)
Balance as at 30 June 2006	775,245	-	1,717,012	18,419	(2,338,243)	172,433	14,505	186,938
Six months to 30 June 2005 (Unaudited)								
Balance as at 1 January 2005	768,155	21,199	1,702,903	18,419	(2,090,651)	420,025	7,645	427,670
Interest expense on loan stocks	-	-	-	-	(84)	(84)	-	(84)
Net expense recognised directly in equity	-	-	-	-	(84)	(84)	-	(84)
(Loss)/profit for the period	-	-	-	-	(63,340)	(63,340)	2,618	(60,722)
Total recognised income and expense for the period	-	-	-	-	(63,424)	(63,424)	2,618	(60,806)
Issue of shares: Conversion of loan stocks	4,257	(12,730)	8,473	-	-	-	-	-
Balance as at 30 June 2005	772,412	8,469	1,711,376	18,419	(2,154,075)	356,601	10,263	366,864

The Condensed Consolidated Statement of Changes in Total Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005.

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PART A – EXPLANATORY NOTES PURSUANT TO FRS134, PARAGRAPH 16

V NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The notes to the condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005.

1 BASIS OF PREPARATION

The quarterly consolidated financial statements have been prepared in accordance with Financial Reporting Standard (FRS)134²⁰⁰⁴, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (MASB) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”), and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2005. The accounting policies, methods of computation and basis of consolidation adopted for the interim financial reports are consistent with those adopted for the annual financial statements for the year ended 31 December 2005, except for the accounting policy changes arising from the adoption of the new and revised FRS effective from 1 January 2006. Where applicable the comparatives have been restated as a result of the changes in accounting policies upon adoption of the new/revised FRS as set out in Note 2.

2 CHANGES IN ACCOUNTING POLICIES

The MASB has issued a number of new and revised FRS that are effective for accounting periods beginning on or after 1 January 2006 as disclosed below:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 2, 3, 5, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133 and 136 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below :-

(a) FRS 2, Share-based Payment

This FRS requires an entity to recognise sharebased payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity or entity’s parent or another entity in the same group as the entity. This policy has no material financial impact to the Group in the interim financial period.

(b) FRS 3, Business Combination

In accordance with FRS 3, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment and impairment losses are recognised when the carrying value of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

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(b) FRS 3, Business Combination (cont'd)

The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under FRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as of 1 January 2006 has been offset against the cost of goodwill and no amortisation charge for goodwill has been recognised in the income statement for the six months ended 30 June 2006. This has increased the Group's profit after tax for the six months ended 30 June 2006 by RM27,000.

The adoption of the new FRS 3 will result in any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition (previously referred to as negative goodwill arising from acquisition), after reassessment, being recognised immediately in the income statement as it arises.

The change in policy relating to negative goodwill had no effect on the interim financial report as there was no negative goodwill deferred as at 31 December 2005.

(c) FRS 101, Presentation of Financial Statements

The adoption of the revised FRS 101 requires changes in the presentation of minority interests, share of net after tax results of associates and other disclosures in the consolidated income statement.

In the consolidated balance sheet, minority interests are now presented within total equity, separately from the equity attributable to the equity holders of the parent whilst in the consolidated income statement the minority interests are presented as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the parent.

FRS also requires disclosure, on the face of the statement of changes in equity, total recognized income and expense for the period, showing separately the amounts attributable to equity holders of the parent and to minority interests.

In the consolidated balance sheet also, cash and cash equivalents which are restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are now reclassified as non-current assets as at the balance sheet date as follows:

	As at 31.12.2005 Audited RM'000	Adjustment RM'000	As at 31.12.2005 As restated RM'000
Non-current assets			
Non-current bank deposits	-	7,561	7,561
Current Assets			
Cash and bank balances	88,441	(7,561)	80,880

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101 with the comparatives restated to conform with the current period's presentation.

(d) FRS 138, Intangible Assets and FRS 140, Investment Property

With the adoption of FRS 138, the Group has reclassified certain acquired computer software and licenses that do not form an integral part of the related hardware as intangible assets from property, plant and equipment ("PPE").

Likewise, with the adoption of FRS 140, the Group has reclassified property held for capital gain or rental purposes from PPE to Investment Properties. The investment properties are measured initially at cost, including transaction costs.

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PART A – EXPLANATORY NOTES PURSUANT TO FRS134, PARAGRAPH 16

(d) **FRS 138, Intangible Assets and FRS 140, Investment Property(cont'd)**

Following initial recognition, investment properties are carried at cost less any accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated. Investment properties carried at cost are depreciated over the estimated economic useful life.

The presentation in the consolidated balance sheet for the comparative period has been restated accordingly as follows:

	As at 31.12.2005 Audited RM'000	Adjustment RM'000	As at 31.12.2005 As restated RM'000
Property, plant & equipment	14,653	(3,638)	11,015
Investment property	-	581	581
Intangible assets – others	105	3,057	3,162

3 AUDIT REPORT IN RESPECT OF THE 2005 FINANCIAL STATEMENTS

The audit report on the Group's financial statements for the year ended 31 December 2005 was not qualified.

4 SEASONAL OR CYCLICAL FACTORS

The Group's operations are not subject to any seasonal or cyclical factors.

5 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no other items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size and incidence in the current financial period except as disclosed below:

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30.06.2006 RM'000	Preceding year corresponding quarter 30.06.2005 RM'000	Six months to 30.06.2006 RM'000	Six months to 30.06.2005 RM'000
Gain on disposal of investments (quoted shares)	4,631	-	53,831	-

6 MATERIAL CHANGES IN ESTIMATES USED

There were no changes in estimates of amounts reported in prior interim periods or prior financial years that have a material effect to the financial statements of the current period.

7 DEBT AND EQUITY SECURITIES

The Group did not undertake any other issuance and/or repayment of debts and equity securities, share buy-back, cancellations, repurchases, shares held as treasury shares and resale of treasury shares for the current financial period ended 30 June 2006 except that the Company had made a prepayment on 31 March 2006 towards the redemption amount of USD28.82 million that were due to the USD Bondholders on 30 June 2006. The repayment of the debt will result in a savings of interest of approximately RM8.0 million annually.

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PART A – EXPLANATORY NOTES PURSUANT TO FRS134, PARAGRAPH 16

8 DIVIDEND

The Directors do not recommend payment of any interim dividend for the financial period ended 30 June 2006 (2005: Nil).

9 SEGMENTAL INFORMATION

There is no segmental reporting for the financial period ended 30 June 2006, as the Group's activity is carried out within Malaysia and is operated within the Information Communications & Technologies' industry.

10 VALUATION OF PROPERTY, PLANT & EQUIPMENT

The valuations of property, plant and equipment used in the condensed consolidated financial statements have been brought forward without amendment from the previous annual financial statements.

11 MATERIAL EVENTS SUBSEQUENT TO THE CURRENT FINANCIAL PERIOD

In the opinion of the Directors, there are no items, transactions or events of a material and unusual nature which have arisen since 30 June 2006 to the date of this announcement which would substantially affect the financial results of the Group for the financial period ended 30 June 2006.

12 CHANGES IN THE COMPOSITION OF THE GROUP

For the financial period ended 30 June 2006, the Group did not undertake any other material business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinued operations except as stated below :

- (a) Shares in TIME dotCom Berhad
The Company has disposed of 22,732,700 ordinary shares of RM1.00 each in TIME dotCom Berhad ("TdC") in the open market for a total consideration of RM12.3 million. Following the disposal, the shareholding in TdC has been reduced from 44.73% to 43.83%.
- (b) Shares in UEM World Berhad
The Company has disposed of its entire 115,731,528 ordinary shares of RM1.00 each in UEM World Berhad ("UEMW") in the open market for a total consideration of RM96.7 million. Following the disposal, TIME has ceased to be a shareholder of UEMW.

13 CONTINGENT LIABILITIES

There were no material changes to contingent liabilities as at the date of this announcement since the preceding financial year ended 31 December 2005.

14 CAPITAL COMMITMENTS

There are no material capital commitments as at the date of this announcement

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BMSB

15 COMPARISON BETWEEN THE CURRENT QUARTER AND THE IMMEDIATE PRECEDING QUARTER

The Group recorded revenue of RM115.7 million for the second quarter compared to RM179.3 million in the first quarter. The revenue for both quarters were mainly contributed by the Teaching and Learning of Science and Mathematics in English Programme (“PPSMI”) Phase IV project undertaken by TIME Systems Integrators Sdn Bhd (“TSI”) and SMK-Dagang* Net services. The revenue for the second quarter is lower than the first quarter mainly due to lower percentage of PPSMI contract completed during the current quarter.

The Group recorded a loss before tax of RM21.8 million in the second quarter compared to the profit before tax in the first quarter of RM40.5 million. The Group’s results for the second and first quarter included a gain on disposal of investments of RM4.6 million and RM49.2 million respectively. The results of both periods were also affected by the share of losses of associate and financing cost. However, the second quarter recorded a lower share of losses of associate and financing cost. The Group recorded lower earnings from the Information Communications & Technologies (“ICT”) business operations in the second quarter as a result of the lower revenue recorded in the quarter.

16 PERFORMANCE REVIEW FOR THE CURRENT QUARTER AND YEAR-TO-DATE

The Group recorded an improvement in the results for the current quarter and year-to-date ended 30 June 2006 compared to the corresponding quarter and year-to-date ended 30 June 2005. The Group’s revenue for the current year-to-date increased to RM295.0 million compared to RM124.9 million in the preceding year mainly due to the PPSMI Phase IV contract value as well as increase in revenue from SMK-Dagang*Net services.

The Group posted year-to-date profit before tax of RM18.8 million compared to loss before tax of RM57.6 million in the corresponding period of 2005. The results for the current year-to-date period include a gain on disposal of investments of RM53.8 million. The Group also recorded higher earnings from the Information Communications & Technologies (“ICT”) business operations in the current year-to-date period as a result of the higher revenue recorded in the current period.

The results of both periods were also affected by the share of losses of associate and financing cost. However, the share of losses of associate and financing cost in the current year-to-date period was lower by 26% and 11% respectively compared to the preceding year period. The lower financing cost is mainly due to a reduction in corporate borrowings.

17 PROSPECTS FOR THE FINANCIAL YEAR 2006

The Group’s results for the remaining six months is expected to be satisfactory with projected earnings from PPSMI and SMK-Dagang*Net services.

18 VARIANCE FOR ACTUAL AND FORECAST PROFIT

The Company did not issue any profit forecast or profit guarantee during the financial period.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BMSB

19 INCOME TAX

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30.06.2006 RM'000	Preceding year corresponding quarter 30.06.2005 RM'000	Six months to 30.06.2006 RM'000	Six months to 30.06.2005 RM'000
Malaysian taxation				
- Current taxation	(2,147)	(808)	(7,783)	(902)
- Overprovision in respect of prior years	10,626	-	10,626	62
- Deferred taxation	-	(2,410)	-	(2,410)
- Recovery of tax deducted at source on dividend received from subsidiaries	-	121	-	121
	8,479	(3,097)	2,843	(3,129)

The current taxation expense of RM7.8 million in the current period was provided by profitable subsidiaries. The overprovision of tax expense in respect of prior years arose due to the changes in the tax treatment of certain expenses that were previously not allowed as deductions by the Inland Revenue Board.

20 DISPOSAL OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no disposals of unquoted investments and/or properties in the current financial period.

21 (a) ACQUISITIONS AND DISPOSALS OF QUOTED SECURITIES

Total disposals of quoted securities in the current financial period other than securities in existing subsidiaries and associate is as follows:

	Current year Quarter 30.06.2006 RM'000	Current year to date 30.06.2006 RM'000
Total sales proceeds	8,309	97,288
Total profit on disposal	4,631	57,019

21 b) INVESTMENT IN QUOTED SECURITIES

Investments in quoted securities included in investment in associates as at 30 June 2006 are as follows:

	At cost 30 June 2006 (RM'000)	Carrying Value 30 June 2006 (RM'000)	Market Value 30 June 2006 (RM'000)
Investment in associate	1,168,531	721,776	732,108

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BMSB

22 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED AS AT THE DATE OF THIS ANNOUNCEMENT

There are no corporate proposals announced but not completed as at the date of this announcement.

23 GROUP BORROWINGS AND DEBT SECURITIES

	As at 30.06.2006 RM'000
Long term borrowings due within one year (secured)	
USD Bonds	107,339
Bank borrowing from a development bank (including accrued interest)	577,786
	685,125
Short term borrowings (unsecured)	
Revolving credit	185,828
	870,953

24 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no financial instruments with off-balance sheet risks as at the date of this announcement.

25 MATERIAL LITIGATION

The Company and its subsidiaries have no outstanding material litigation as at the date of this announcement.

26 EARNINGS/(LOSS) PER SHARE (“EPS”)

	Current year quarter 30.06.2006	Preceding year corresponding quarter 30.06.2005	Six months to 30.06.2006	Six months to 30.06.2005
Earnings/(loss) per share				
Profit/(Loss) for the period (RM'000)	(13,316)	(37,645)	21,593	(60,722)
Less: Amount attributable to minority interest (RM'000)	(1,475)	(1,137)	(2,981)	(2,618)
Other movements in accumulated losses as per Statement of Changes in Total Equity (RM'000)	-	(42)	-	(84)
	(14,791)	(38,824)	18,612	(63,424)
Weighted average number of shares ('000)	775,245	772,412	775,245	771,929
Basic earnings/(loss) per share (sen)	(1.9)	(5.0)	2.4	(8.2)

The fully diluted earnings per share for the period ended 30 June 2006 is not presented as the average market value of the shares of the Company is lower than the subscription price for the outstanding warrants.

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FOR THE SECOND QUARTER ENDED 30 JUNE 2006

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BMSB

27 AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 August 2006.

Kuala Lumpur
22 August 2006

By Order of the Board
SAPIAH JAMALUDIN (MAICSA 0807355)
Secretary